

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Brownfield Redevelopment of Lapeer	County Lapeer
Fiscal Year End 6/30/06	Opinion Date 8/25/06	Date Audit Report Submitted to State 12/8/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

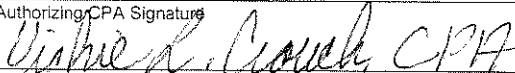
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

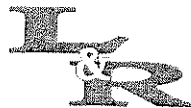
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Layton and Richardson, P.C.		Telephone Number 517-332-1900	
Street Address 1000 Coolidge Road		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 	Printed Name Vickie Crouch		License Number 1101013436

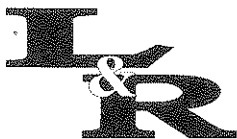
BROWNFIELD REDEVELOPMENT AUTHORITY
OF THE CITY OF LAPEER, MICHIGAN
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2006



Layton & Richardson, P.C.
Certified Public Accountants

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Members of the Brownfield Redevelopment
Authority of the City of Lapeer
Lapeer, MI

We have audited the accompanying basic financial statements of the governmental activities of BROWNFIELD REDEVELOPMENT AUTHORITY OF THE CITY OF LAPEER, MICHIGAN as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Brownfield Redevelopment Authority of the City of Lapeer, Michigan, as of June 30, 2006, and the results of its operations for the year then ended, in conformity with the U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2006, on our consideration of Brownfield Redevelopment Authority of the City of Lapeer, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Layton & Richardson, P.C.
Certified Public Accountants

August 25, 2006
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Management's Discussion and Analysis

Our discussion and analysis of the Brownfield Redevelopment Authority of the City of Lapeer's financial performance provides an overview of the Brownfield Redevelopment Authority's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Brownfield Redevelopment Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Reid Corporation Project was approved by the Brownfield Redevelopment Authority on October 26, 2002 in the amount of \$60,150. The 2003 Tax Year was the first year of captured property taxes which may be utilized to reimburse the Reid Corporation, over a maximum of thirty years, for approved expenses in remediation of their environmentally distressed property.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Brownfield Redevelopment Authority as a whole and present a longer-term view of the Brownfield Redevelopment Authority's finances. Fund financial statements provide more detailed information about the Brownfield Redevelopment Authority's funds- not the Brownfield Redevelopment Authority as a whole. These statements tell how these services were financed in the short term as well as what remains for future spending.

Reporting the Brownfield Redevelopment Authority as a Whole

One of the most important questions asked about the Brownfield Redevelopment Authority's finances is, "Is the Brownfield Redevelopment Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Brownfield Redevelopment Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Brownfield Redevelopment Authority's *net assets* and changes in them. You can think of the Brownfield Redevelopment Authority's net assets – the difference between assets and liabilities – as one way to measure the Brownfield Redevelopment Authority's financial health, or *financial position*. Over time, *increases* or *decreases* in the Brownfield Redevelopment Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the Brownfield Redevelopment Authority is shown as a governmental activity while within the City of Lapeer's audit they are shown as a component unit:

- Governmental activities – The Brownfield Redevelopment Authority's services are reported here. Property Taxes finance most of these activities.

Reporting the Brownfield Redevelopment Authority's Most Significant Funds

The fund financial statements provide detailed information about the Brownfield Redevelopment Authority's funds. The Brownfield Redevelopment Authority's funds utilize the *governmental* accounting approach.

- *Governmental funds* – Most of the Brownfield Redevelopment Authority's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Brownfield Redevelopment Authority's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Brownfield Redevelopment Authority's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.

THE BROWNFIELD REDEVELOPMENT AUTHORITY AS A WHOLE

Table 1 was summarized from the Brownfield Redevelopment Authority Statement of Net Assets. The net assets of the Brownfield Redevelopment Authority increased from \$1,462.00 to \$2,897.00, an increase of \$1,435.00 or 98.2%. In the prior year, the net assets increased from a deficit of \$601.00 to a surplus of \$1,462.00, an increase of \$2,063.00 or 343.3%.

Table 1
Net Assets
(In Hundreds)

	Governmental Activities 2006	Governmental Activities 2005
Current and other assets	\$ 29.0	\$ 14.6
Total assets	29.0	14.6
Other liabilities	0.0	0.0
Total liabilities	0.0	0.0
Net assets:		
Restricted	0.0	0.0
Unrestricted (deficit)	29.0	14.6
Total net assets	\$ 29.0	\$ 14.6

Governmental Activities

As stated previously, the net assets of the Brownfield Redevelopment Authority's governmental activities increased by \$1,435. Unrestricted net assets – the part of net assets that can be used to finance day –to –day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-is recorded as surplus of \$2,897.11.

Table 2 was summarized from the government-wide Statement of Activities. This table summarizes the government-wide program revenues, other revenues, and expenses of the Brownfield Redevelopment Authority.

Table 2
Changes in Net Assets
(In Hundreds)

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Revenues:		
Program revenues:		
Charges for Services	\$ 0.0	\$ 0.0
Operating grants and contributions	0.0	0.0
General revenues:		
Property Taxes	12.9	12.5
Other	<u>0.0</u>	<u>0.0</u>
Total Revenues	<u>12.9</u>	<u>12.5</u>
Expenses:		
General government	\$ 15.4	\$ 6.0
Total Expenses	<u>15.4</u>	<u>6.0</u>
Increase in net assets		
Before transfers	(2.5)	6.5
Transfers	<u>16.9</u>	<u>14.1</u>
Increase (Decrease) in Net Assets	14.4	20.6
Net assets, July 1	<u>14.6</u>	<u>(6.0)</u>
Net assets, June 30	<u>29.0</u>	<u>14.6</u>

Total revenue from all sources totaled \$1,293 which was all from property taxes. The Brownfield Redevelopment Authority also receives a transfer of captured taxes from the General Fund of the City of Lapeer in the amount of \$1,873. The Brownfield Redevelopment Authority captured the City of Lapeer millage rate of 9.8000, the county operation millage rate of 3.8165, and the Intermediate School District combined millage rate of 2.9509.

The governmental activities of the Brownfield Redevelopment Authority had an expense of \$1,544 which was for project reimbursement to the Reid Corporation in the amount of \$1,000, audit fees in the amount of \$500, and legal fees in the amount of \$44. Due to utilizing full accrual on the government-wide statements, the expenditures for capital assets including infrastructure are not recorded as expenses in the current year but are capitalized on the Statement of Net Assets and are depreciated over the useful life of the asset. Only the current year depreciation would be included as an expense.

THE BROWNFIELD REDEVELOPMENT AUTHORITY'S FUNDS

The Brownfield Redevelopment Authority received a total of \$3,166 in captured property taxes. The Brownfield Redevelopment Authority had an expense of \$1,544 which was for project reimbursement to the Reid Corporation in the amount of \$1,000, audit fees in the amount of \$500, and legal fees in the amount of \$44. Additionally, the district pays an administration fee to the City of Lapeer in the amount of \$187 for accounting services and project management.

Brownfield Redevelopment Authority Budgetary Highlights

The difference between the original budget and the amended budget was an increase of \$1,000 or 27.2%, which is summarized as follows:

- \$1,000 increase to provide additional funding for project reimbursement to the Reid Corporation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Brownfield Redevelopment Authority does not have any capital assets.

There were no major capital asset events during the current fiscal year.

Debt

The Brownfield Redevelopment Authority does not have any outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Projected captured taxable values as determined by the City Assessor

The Brownfield Redevelopment Authority reviews its current budget to determine available fund balances to be appropriated for the new-year budget. This, along with the projected captured taxable value from the city assessor, provides the basis of establishing the annual budget. Funds are appropriated based upon funds required for administration of the Brownfield Redevelopment Authority and approved expenses to be reimbursed to the project owner.

Requests for Information

This financial report is designed to provide a general overview of the Brownfield Redevelopment Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lapeer, Director of Financial Services, 576 Liberty Park, Lapeer, MI 48446.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2006

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ACTIVITIES
ASSETS			
Cash - checking	\$ <u>2,897.11</u>	\$ <u> </u>	\$ <u>2,897.11</u>
LIABILITIES			
Due to other funds	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
FUND BALANCE	<u>2,897.11</u>	<u> </u>	<u>2,897.11</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>2,897.11</u>	\$ <u> </u>	\$ <u>2,897.11</u>

See accompanying notes to financial statements.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ACTIVITIES
EXPENDITURES/EXPENSES			
General government	\$ 1,543.75	\$ _____	\$ 1,543.75
GENERAL REVENUES			
Property taxes	1,293.19		1,293.19
Transfers - internal activities	1,685.77		1,685.77
TOTAL GENERAL REVENUES	<u>2,978.96</u>		<u>2,978.96</u>
CHANGES IN NET ASSETS	1,435.21		1,435.21
FUND BALANCE/NET ASSETS, JULY 1	<u>1,461.90</u>		<u>1,461.90</u>
FUND BALANCE/NET ASSETS, JUNE 30	<u>\$ 2,897.11</u>	<u>\$ _____</u>	<u>\$ 2,897.11</u>

See accompanying notes to financial statements.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1: REPORTING ENTITY

In accordance with the criteria established by the National Council on Governmental Accounting (NCGA) Statement 3, the Brownfield Redevelopment Authority of the City of Lapeer is considered a component unit of the City of Lapeer, Michigan for financial accounting and reporting purposes. These criteria include: the extent of oversight responsibility, selection of governing authority, designation of management, the ability of the City to significantly influence operations, the accountability for fiscal matters including the level of City financing and/or moral and legal responsibility for long-term debt.

The financial statements of the Brownfield Redevelopment Authority are presented as the financial statements of a fund which is an integral part of the financial reporting oversight unit of the City of Lapeer.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Brownfield Redevelopment Authority conform to U.S. generally accepted accounting principles as applicable to governmental units. The summary of the more significant accounting policies are presented to assist the reader in interpreting the financial statements and other data in this report.

A. Government-Wide and Fund Financial Statements

The government-wide financial statement (i.e. the statements of net assets and the statement of changes in net assets) reports information on all of the nonfiduciary activities of the Brownfield Redevelopment Authority of the City of Lapeer. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. Measurement Focus, Basis of Accounting and Financial Statements

The government-wide financial statement is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Governmental fund financial statement is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

C. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Concluded

JUNE 30, 2006

NOTE 3: **TRANSFERS IN/OUT**

FUND	TRANSFER IN	FUND	TRANSFER OUT
Brownfield Redevelopment Authority	\$ <u>1,685.77</u>	General	\$ <u>1,685.77</u>

NOTE 4: **AUTHORITY'S CASH AND INVESTMENT POOL**

Custodial Credit Risk – Deposits. For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to the government. As of June 30, 2006, \$0 of the Authority's total bank balance of \$2,897.11 (total book balance was \$2,897.11) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The Authority's investment policy requires that only those banks or savings and loan institutions that are members of the FDIC or FSLIC will be considered for depository purposes, but recognizes that it is impractical to insure all bank deposits due to the limitations of depository insurance. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk. The Authority's investments in financial institutions will be held with a qualified institution.

REQUIRED SUPPLEMENTARY INFORMATION

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Property taxes	\$ 1,305.84	\$ 1,305.84	\$ 1,293.19	\$ (12.65)
EXPENDITURES				
Attorney/accounting	500.00	500.00	543.75	(43.75)
Project reimbursement	2,953.52	3,983.52	1,000.00	2,983.52
TOTAL EXPENDITURES	3,453.52	4,483.52	1,543.75	2,939.77
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,147.68)	(3,177.68)	(250.56)	2,927.12
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,872.78	1,872.78	1,872.77	(0.01)
Operating transfers out	(187.00)	(187.00)	(187.00)	
TOTAL OTHER FINANCING SOURCES (USES)	1,685.78	1,685.78	1,685.77	(0.01)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(461.90)	(1,491.90)	1,435.21	2,927.11
FUND BALANCE, JULY 1	1,461.90	1,461.90	1,461.90	
FUND BALANCE, JUNE 30	\$ 1,000.00	\$ (30.00)	\$ 2,897.11	\$ 2,927.11



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Brownfield Redevelopment
Authority of the City of Lapeer
Lapeer, Michigan

We have audited the accompanying financial statements of the governmental activities of Brownfield Redevelopment Authority of the City of Lapeer, Michigan, as of and for the year ended June 30, 2006, which collectively comprise Brownfield Redevelopment Authority of the City of Lapeer, Michigan's basic financial statements and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brownfield Redevelopment Authority of the City of Lapeer, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brownfield Redevelopment Authority of the City of Lapeer, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Brownfield Redevelopment Authority of the City of Lapeer, Michigan, in a separate letter dated August 25, 2006.

This report is intended solely for the information and use of management, the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
August 25, 2006

1000 Coolidge Road
East Lansing, MI 48823

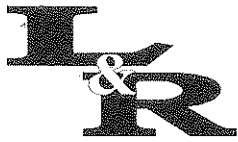
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LETTER OF COMMENTS AND RECOMMENDATIONS

Members of The Brownfield Redevelopment Authority
of the City of Lapeer
Lapeer, Michigan

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We have examined the financial statements of Brownfield Redevelopment Authority of the City of Lapeer, Michigan for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006. As part of our examination, we made a study and evaluation of the system of internal accounting controls to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole.

The management of Brownfield Redevelopment Authority of the City of Lapeer, Michigan is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all weaknesses in the system. However, our examination did disclose the following conditions that we believe result in a risk that errors or irregularities in amounts that would be material in relation to the financial statements of Brownfield Redevelopment Authority of the City of Lapeer, Michigan may occur and not be detected within a timely period.

Segregation of Duties

Segregation of duties is an arrangement of responsibilities such that the work of one employee serves as a check on the work of others. The least desirable situation is one in which a single employee is responsible for an entire accounting process from the origin of each transaction to the ultimate posting in the general ledger. This situation enhances the likelihood that intentional or unintentional errors will occur and remain undetected.

Because it is often difficult in a small governmental unit to segregate accounting duties, alternative controls should be implemented to compensate for lack of a segregation of duties. Such controls as management supervision are an effective means of improving control and reducing the risk of error without incurring additional cost.

We appreciate the assistance and cooperation extended to us by the Authority's officials and employees during our examination, and we thank them.

This report is intended for the information of the Board of Directors, management and federal, state and local grantor agencies. However, this report is a matter of public record, and its distribution is not limited.

Layton & Richardson, P.C.

Certified Public Accountants

East Lansing, Michigan
August 25, 2006